

## Message Text

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PAGE 01 REYKJA 01106 231629Z  
ACTION EUR-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00  
INR-10 NSAE-00 L-03 TRSE-00 EB-08 OMB-01 /062 W  
-----086509 240356Z /15

R 231553Z AUG 78  
FM AMEMBASSY REYKJAVIK  
TO SECSTATE WASHDC 8657  
INFO SECDEF WASHDC  
COMICEDEFOR KEFLAVIK IC

C O N F I D E N T I A L REYKJAVIK 1106

E.O. 11652: GDS  
TAGS: MARR, IC  
SUBJECT: LEGAL ISSUES AFFECTING US PROCUREMENT OF POL AT  
KEFLAVIK, ICELAND

REF: STATE 208915 DTG 171802Z AUG 78

1. ECONOFF DISCUSSED POL SERVICE CONTRACT WITH COMICEDEFOR  
COMPTROLLER AUGUST 22. THREE ICELANDIC OIL COMPAINIES, ESSO,  
BP, AND SHELL, ARE ALL CAPABLE OF PROVIDING SERVICES REQUIRED  
ON STATION. HOWEVER, ONLY ESSO HAS CAPACITY TO PROVIDE FULL  
RANGE OF SERVICES REQUIRED, SUCH AS TRANSPORT FROM HVALFJORDUR  
TO KEFLAVIK. WHILE IT MIGHT BE POSSIBLE TO NEGOTIATE CONTRACT  
WITH BP OR SHELL FOR ON-STATION SERVICES, FOR BALANCE OF  
SERVICES CONTRACT WITH ESSO IS ONLY PRACTICAL SOLUTION.  
ATTEMPT TO SPLIT CONTRACT WOULD PROBABLY CAUSE ESSO TO HARDEN  
ITS NGOTIATING POSITION.

2. APPROACH TO CURRENT CARETAKER GOVERNMENT WOULD NOT  
BE PRODUCTIVE. SUGGEST WE WAIT UNTIL NEW GOVERNMENT  
FORMED AND AFTER EMBASSY HAS HAD OPPORTUNITY TO EVALUATE  
NEW PRINCIPALS IN MFA. APPROACH AT THAT TIME MIGHT BE  
HELPFUL.

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3. FYI: ALL THREE ICELANDIC PETROLEUM DISTRIBUTORS ARE  
LOCALLY OWNED AND CONTROLLED. THEY USE NAMES OF LARGE  
INTERNATIONAL OIL COMPANIES (ESSO, BP, SHELL) ONLY IN  
THEIR CAPACITY AS AGENTS FOR CERTAIN PRODUCT LINES.  
ESSO'S PRINCIPAL SHAREHOLDER IS ICELAND'S LARGEST  
COMPANY, THE FEDERATION OF ICELANDIC COOPERATIVE  
SOCIETIES (SAMBAND). THE LARGEST SHAREHOLDER IN BP IS

THE ICELANDIC FREEZING PLANTS CORPORATION, AN ASSOCIATION  
OF MOST OF ICELAND'S FISH PROCESSING PLANTS. SHELL IS  
CONTROLLED BY A FAMILY PROMINENT IN ICELANDIC POLITICS.  
BLAKE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PROCUREMENT, MILITARY SALES, MILITARY BASES  
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**Copy:** SINGLE  
**Draft Date:** 23 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978REYKJA01106  
**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
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**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014